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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1938.

MRB
CORP. FILE

Winston-Salem, N. C., January 12, 1939.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1938, is hereby submitted.

Net profit from operations for the year 1938 (in which net sales were $282,265,015.22), after deducting all charges and expenses of management, advertising, etc.	$31,647,285.46	
ADD		
Interest and Dividends on investments	175,115.69	
Miscellaneous income, net	215,343.90	$32,037,745.05
LESS		
Allowance for Depreciation, Obsolescence, etc.	1,141,956.84	
Interest paid	468,847.37	
Federal and State taxes on income	6,692,635.09	8,303,439.30
NET EARNINGS FOR YEAR		23,734,305.75
ADD		
Undivided Profits December 31, 1937		40,850,662.02
		64,584,967.77
DEDUCT		
Three dividends of sixty cents each and one dividend of fifty cents per share		23,000,000.00
Total Undivided Profits December 31, 1938		$41,584,967.77

FINANCIAL STATEMENT
DECEMBER 31, 1938.

ASSETS

CURRENT			
Cash		$ 4,681,971.94	
Accounts Receivable (net) for merchandise sold		7,123,443.63	
Leaf Tobacco, Supplies, Manufactured Product	$141,721,264.46		
Less Reserve for contingent carrying charges	2,663,540.70	139,057,723.76	$150,863,139.33
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		32,395,967.27	
Deduct Depreciation, Obsolescence, etc.	$ 13,935,812.88		
Less fully depreciated property written off during year, etc.	793,163.42	13,142,649.46	
		19,253,317.81	
Investments in Non-Competitive Companies, etc.		319,547.21	
Bills and Notes Receivable		3,131.44	
Other Accounts Receivable		545,397.33	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		501,147.28	
Retirement & Insurance Investment Fund*		10,120,000.00	30,742,542.07
			$181,605,681.40

*Consisting of 200,000 shares of the Common Stock of the Company.

LIABILITIES

CURRENT			
Accounts Payable		$ 2,798,301.42	
Notes Payable		4,400,000.00	
Accrued Taxes and other Accrued Accounts		7,565,638.34	$ 14,763,939.76
DEFERRED			
Notes Payable serially 1940-1949			20,000,000.00
RESERVES			
Contingencies and Retirement & Insurance Investment Fund			5,256,773.87
CAPITAL ACCOUNT			
Common Stock—Par $10			
Authorized 1,000,000 shares			
Issued 1,000,000 shares		10,000,000.00	
New Class B Common Stock—Par $10			
Authorized 13,000,000 shares			
Issued 9,000,000 shares		90,000,000.00	
Undivided Profits		41,584,967.77	141,584,967.77
			$181,605,681.40

F. S. HILL, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have made an examination of the financial statement of R. J. REYNOLDS TOBACCO COMPANY, WINSTON-SALEM, N. C., as at December 31, 1938, and of the income and undivided profits account for the year ended at that date. In connection therewith we examined or tested accounting records of the Company and other supporting evidence, and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. The investments are carried at not above cost or market, whichever is lower.

In our opinion, based upon our examination, the accompanying financial statement and related income and undivided profits account, fairly present the financial position of the Company at December 31, 1938, and the results of operations for the year then ended. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles consistently maintained by the Company during the year under review.

January 11, 1939.

ERNST & ERNST,
Certified Public Accountants.